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SUBJECT: CZECH REPUBLIC IS FIRST IN THE REGION TO SIGN
BILATERAL SOCIAL SECURITY TOTALIZATION AGREEMENT WITH USG

¶1. Ambassador Richard Graber and Czech Minister for Labor and Social Affairs Petr Necas signed the U.S.-Czech Bilateral Social Security Totalization Agreement at the Ministry of Labor and Social Affairs on September 7, 2008. Social Security Administration Associate Commissioner Rogelio Gomez and American Chamber of Commerce Executive Director Weston Stacey attended the signing ceremony. This agreement will exempt U.S. citizens working for U.S. companies in the Czech Republic from having to pay social security taxes to both countries. Similarly, it will remove the double taxation requirement for Czech citizens working for Czech companies in the United States.

¶2. Once the treaty has been signed, it must go through a ratification process, which is expected to take approximately five to seven months. The agreement then has a provision that stipulates that the treaty will take effect on the first day of the third month after notification of ratification from both countries. Timely ratification is of the essence due to a new law in the Czech Republic that will make it compulsory for all citizens from non-treaty countries working in the Czech Republic to pay Czech social security taxes starting January 1, 2008, with the option to defer payment until September 2008. The United States currently has 21 bilateral totalization agreements in force around the world. The Czech Republic is the first among Central and Eastern European countries to sign such an agreement in the United States.
GRABER